

AR48

ANDERSON

EXPLORATION LTD.



ANNUAL REPORT

1991

Anderson
Exploration Ltd., in its
present form, results from the
amalgamation of six companies in 1982.
These companies evolved from a program of oil
and gas exploration, acquisition and development
commenced in 1968. Anderson Exploration became a public
company in 1988. The major shareholders are Kerr Addison Mines of
Toronto with 30.2 percent, BC Sugar of Vancouver with 17.9 percent and President and
Chief Executive Officer, J.C. Anderson, with 18.0 percent. The common shares of the
Company trade on The Toronto Stock Exchange under the symbol AXL. The
Company has a large, long-life oil and gas reserve base and operates
89 percent of its current production, almost all of which
is in Alberta. Anderson Exploration has an
experienced group of dedicated people
pursuing an excellent inventory
of exploration and
development
projects.

*The Annual Meeting of Shareholders will be
held on Thursday, February 13, 1992 at 3:00
p.m. at the Westin Hotel, Calgary, Alberta.*

About the Cover

A winter landscape of the "mighty" Peace River in northwestern Alberta, an area of major operations for Anderson Exploration.

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HIGHLIGHTS

Financial

Thousands for Dollars and Shares Except Per Share Amounts

	1991	1990	Change %
Revenue, Net of Royalty	\$ 72,043	66,294	9
Funds Flow From Operations	\$ 36,264	38,188	(5)
Per Common Share	\$ 1.77	2.07	(14)
Net Earnings From Operations	\$ 5,971	8,900*	(33)
Per Common Share	\$ 0.29	0.49*	(41)
Average Shares Outstanding	20,464	18,406	11
Capital Expenditures	\$ 45,384	74,488	(39)
Long-term Bank Debt	\$ 73,000	75,000	(3)
Shareholders' Equity	\$ 191,782	182, 672	5

* Total does not include \$4,309, net of tax, for an unusual item (\$0.23 per share).

Operating

Daily Production

Natural Gas (Million Cubic Feet)	77	66	17
Crude Oil (Barrels)	4,346	3,821	14
Natural Gas Liquids (Barrels)	1,082	1,162	(7)
Total Liquids (Barrels)	5,428	4,983	9

Reserves

Crude Oil and Liquids (Million Barrels)			
Proven	15.1	16.4	(8)
Proven plus Probable	22.3	24.0	(7)
Natural Gas (Billion Cubic Feet)			
Proven	619	575	8
Proven plus Probable	907	872	4

Undeveloped Land (Thousands of Acres)

Gross	952	977	(3)
Net	668	717	(7)
Average Working Interest (%)	70	74	(5)

Drilling Activity (Gross)

Gas Wells	38	44	(14)
Oil Wells	18	38	(53)
Dry Holes	17	23	(26)
Total Wells	73	105	(30)



Nineteen ninety-one was a difficult year for our industry. Anderson Exploration was not totally sheltered from the difficulties. The Company's barrel equivalent production increased 13 percent to reach record levels; however, total cash flow from operations declined five percent, the first such decline since a general drop in product prices commenced in early 1986.

Although I am not satisfied with our 1991 financial results, notable operational and acquisition achievements have been made. These achievements will enhance our results as we proceed, even in a period of weak commodity prices.

1991 in Review

Gas production increased 17 percent over 1990 rates to 77 million cubic feet per day. This represents the highest annual rate that the Company has achieved. Oil and natural gas liquids (NGL) production increased nine percent over 1990 to 5,428 barrels per day, also a record producing rate.

Cash flow from operations decreased five percent to \$36.3 million. Net earnings from operations were \$6 million in 1991, versus \$8.9 million in 1990. Average oil and NGL prices in 1991 were \$23.69 per barrel, a 13 percent increase over \$20.95 per barrel in 1990. However, the average gas price declined 13 percent from \$1.93 to \$1.68 per thousand cubic feet.

In 1991, capital expenditures of \$45.4 million were funded with cash flow and \$10.4 million in proceeds from property dispositions. Long-term obligations were reduced for the ninth consecutive year by \$7.9 million.

Notable among the operational accomplishments during 1991 were the installation of a gas storage system in the Dunvegan Field and encouraging new oil and gas discoveries. The Company has acquired approximately 450 square miles of 3-D seismic data on the south flank of the Peace River Arch. Ongoing interpretation of this data has recently

led to the discovery of oil in Paleozoic carbonates other than the D-1 formation. In addition, gas has been discovered in previously non-productive sandstone formations in the area. These discoveries are in the early stages of development as play concepts and some could become worthy of exploration pursuit.

Gas Marketing

Historically, Anderson Exploration has been a system supplier; that is, the Company has sold most of its gas volumes to supply aggregators which, in turn, supply consumers along major pipeline routes. With so-called deregulation and the agonizing evolution of the process over the past few years, the Company has, for some time, recognized the need for and has been implementing some changes in its marketing practices. In 1991, the Company entered into a contract with a cogeneration customer in the northeastern United States with sales to commence in November 1993.

In the past, Anderson Exploration has not seen fit to sell into the short-term spot market. In 1992, however, the decision has been made to sell some excess gas volumes into short-term interruptible markets. Sales have been executed at rates as high as 28 million cubic feet per day. These sales are being made on an experimental basis. This decision was taken because the Company has considerable excess deliverability connected to its operated gas processing facilities. This is evidenced by Anderson Exploration's maximum sales day in March 1991 of approximately 123 million cubic feet per day against estimated connected deliverability of 140 million cubic feet per day. The decision to sell into short-term markets is prudent because the Company has very long-life reserves. Based on 1991 production and reserves, the Company has a gas reserve life index of 22 years for proven reserves and 32.3 years for proven plus probable reserves.

Columbia Acquisition

On December 2, 1991, Anderson Exploration announced that it had reached an agreement to purchase the outstanding shares of Columbia Gas Development of Canada Ltd. (Columbia), a subsidiary of The Columbia Gas System, Inc., of Delaware. The price is \$109.3 million, including \$10.5 million of working capital, which is largely in the form of cash.

Columbia's parent company is operating under Chapter 11 of the United States Bankruptcy Code. The transaction is subject to Bankruptcy Court and other regulatory approvals. Closing is anticipated effective at the end of December 1991.

Some may consider it uncharacteristic for the Company to make a corporate acquisition because we have emphasized in past reports that Anderson Exploration has been built primarily through exploration

and development. We continue to believe that growth opportunities through these methods abound in Western Canada; however, we have also said that we continually examine other growth opportunities. To quote past Annual Reports:

1988 Anderson Exploration intends to continue growing primarily through exploration, property acquisition and development. These activities will largely be funded with available cash flow ... Corporate acquisitions will be examined, but they must meet rigid financial parameters.

1989 Anderson Exploration continually examines its operating strategy to determine the best methods of realizing its Corporate Policy — we are in business to make a profit.

1990 We will continue to search for opportunities in the business, to be pursued by different modes as appropriate to enhance the growth of the Company on a prudent economic basis.

The Columbia acquisition fits the philosophy documented by these statements. Initially, the acquisition will be financed with available bank lines of credit. It will favourably affect Anderson Exploration's total cash flow and cash flow per

share, with the full impact realized beginning in fiscal 1993.

Columbia has been engaged in oil and gas exploration, development and production in Western Canada since 1971. Based on an independent evaluation, their proven plus probable reserves at April 1, 1991 were 5.5 million barrels of oil and NGL and 149 billion cubic feet of natural gas. At November 1991, Columbia held 319,000 net acres of undeveloped land, 80 percent located in Alberta. The Columbia properties are currently producing at a rate of approximately 1,560 barrels per day of oil and NGL and 34 million cubic feet of natural gas per day. Columbia currently operates 62 percent of its production. Columbia has approximately \$219 million in tax pools which will be of substantial benefit to Anderson Exploration.

If the transaction is completed, the effect of the acquisition on

Anderson Exploration will be communicated to shareholders in future reports.

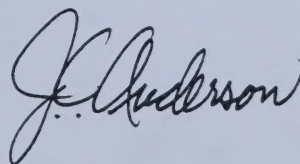
Outlook

For the six-year period since the beginning of 1986, the industry has experienced declining product prices. In spite of that, Anderson Exploration has managed to increase production and proven reserves 104 percent and 54 percent respectively on a barrel equivalent basis. Our long-term obligations in the form of bank debt and take-or-pay have been reduced by \$46.4 million, a reduction of 36 percent from levels at the beginning of 1986. The Company has maintained a healthy level of capital expenditures averaging approximately \$32 million per year and, until the past year, cash flow and net earnings from operations had increased every year. We have assembled an excellent staff and have not had to go through the massive restructuring efforts that so many have.

We make no apologies for the state of the industry or our position in it. We view the future with optimism, but must be realistic about the short-term. Our mettle has been proven during some tough times and we recognize that fiscal 1992 will probably be another tough year. Our product prices will probably decline from 1991 levels and the general economy is a mess.

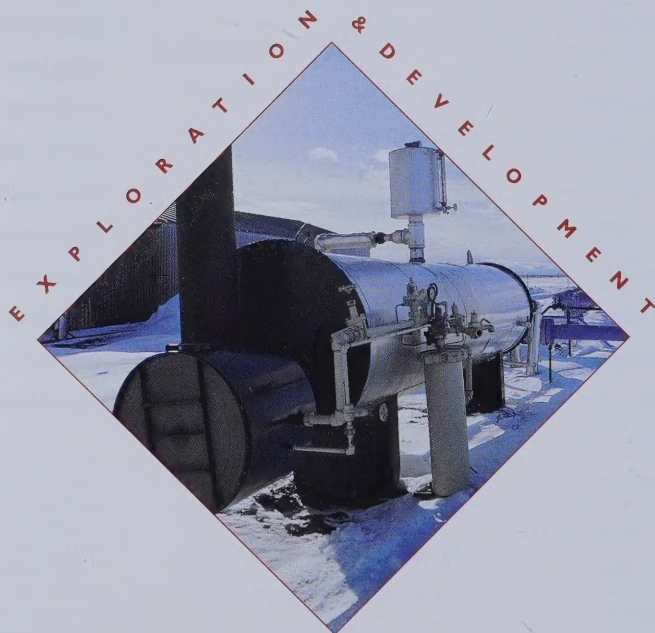
An upturn in our business will inevitably come. Difficult times also create opportunities for those who are prepared. We are equipped to recognize and pursue these opportunities as we have demonstrated in 1991 and early 1992.

We thank you for your support.



J.C. Anderson

December 27, 1991



Land

Anderson Exploration's undeveloped land inventory totals 668,000 net acres, 99 percent of which is located in Alberta. A decrease in undeveloped land inventory from 1990 is largely due to the disposition of an interest in approximately 70,000 acres in the Peace River area as part of an exploration deal late in the fiscal year. The Company's average working interest in its undeveloped land is 70 percent.

With the slowdown in activity in the industry, land prices and the volume of acreage offered at land sales have declined significantly. Expenditures at Alberta Crown land sales in 1991 were \$2.3 million, approximately one-half of 1990 expenditures for approximately the same amount of acreage. To further its future exploration effort, Anderson Exploration will continue to be active, but very selective, in land acquisition.

Exploration

During 1991, Anderson Exploration focused its exploration efforts in areas where the Company had previously established a successful track record. The two key exploration efforts were for oil in the D-1 prospect area of the Peace River Arch and for gas in shallow Cretaceous sands in eastern Alberta. These are projects where the Company took advantage of its significant seismic and subsurface data base in order to enhance its already strong position.

Exploration expenditures in 1991 were \$22.4 million versus \$36.8 million in 1990 which was a record year. The Company spent \$16.5 million on exploratory drilling and completions and \$5.9 million on seismic acquisitions. Late in the year, the Company entered into an exploration arrangement with an investor whereby the investor is to provide approximately \$11.0 million, primarily for exploratory drilling. Approximately \$6 million of the total exploratory drilling expenditures were funded in this manner. This program will be completed in 1992.

Summary of Working Interest Land Holdings at September 30

Thousands of Acres	1991		1990	
	Gross	Net	Gross	Net
Undeveloped	952	668	977	717
Developed	369	210	334	189
Total	1,321	878	1,311	906

Alberta Crown Sale Land Acquisitions

	1991	1990
Expenditures (\$000's)	\$ 2,264	\$ 4,371
Net Acres Acquired	79,652	81,902
Price Per Acre	\$ 28	\$ 53

PEACE RIVER ARCH AREA

♦ Primary Operating Area Since 1969

♦ 1991 Exploration and Development

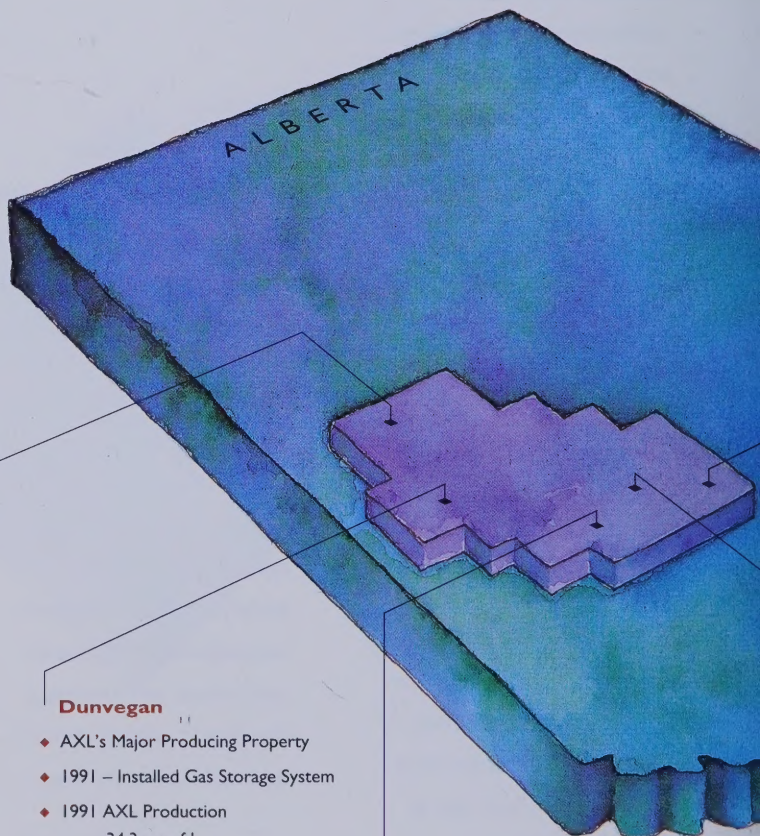
- 40 Wells, 19 Oil and 10 Gas
- 74 Square Miles 3-D Seismic
- Constructed 2 Oil Batteries

♦ 1991 AXL Production

- 50 mmcf/d Gas
- 4,400 bpd Liquids

♦ Company Operated Facilities

- 9 Gas Plants
- 5 Central Oil Batteries
- Major Gathering Systems



Hines Creek

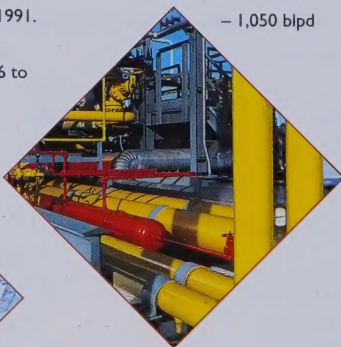
AXL purchased 29.7 bcf of proven gas reserves with 7 usable shut-in wells for \$4.1 million. Two of the acquired wells were tied in to existing facilities and commenced production on November 1, 1991. Field deliverability increased from 6.6 to 10.5 mmcf/d.

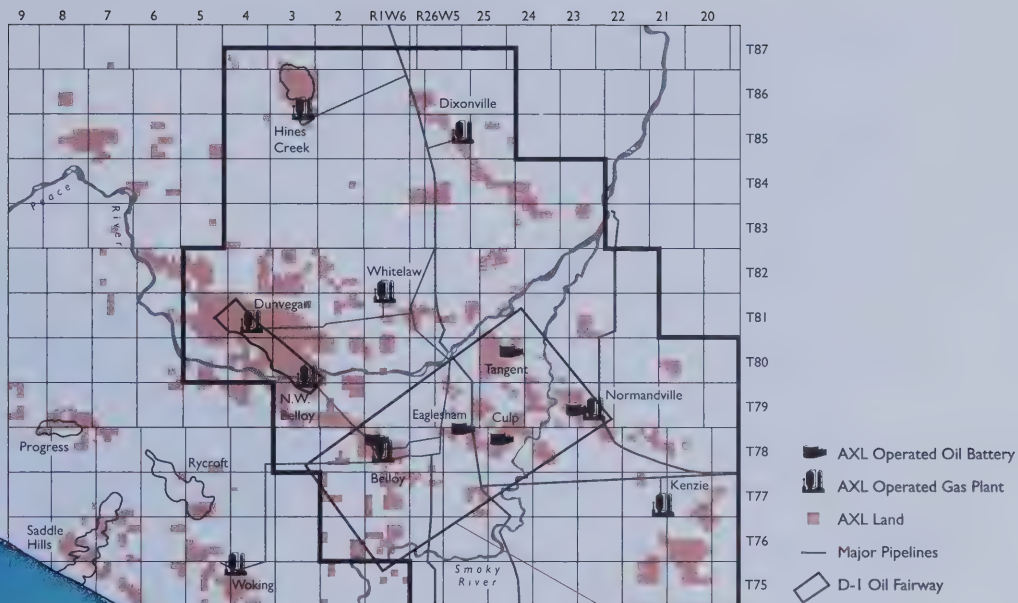
Dunvegan

- ♦ AXL's Major Producing Property
- ♦ 1991 - Installed Gas Storage System
- ♦ 1991 AXL Production
 - 34.3 mmcf/d
 - 1,050 bpd

Eaglesham-Tangent

- ♦ 2 Central Oil Batteries Completed in 1991
- ♦ 21 D-1 Oil Wells Tied In
- ♦ 1991 AXL Production - 2,435 bopd





D-I Oil Fairway

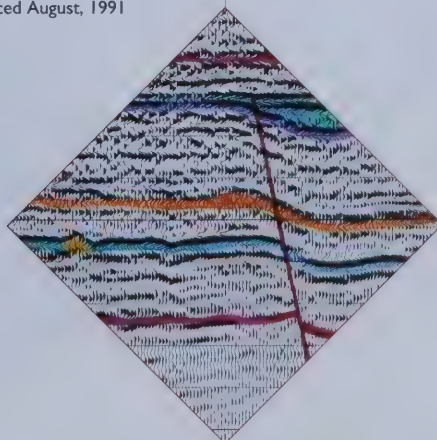
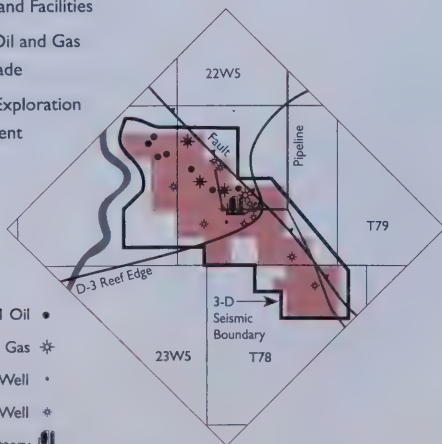
Thirteen new D-I oil discoveries made in 1991. 3-D seismic is key to D-I exploration success. AXL has 450 square miles of 3-D seismic coverage in the area. This data has resulted in oil and gas discoveries in Paleozoic formations other than the D-I.

Kenzie

- ◆ Acquired 5 mmcf/d Gas Plant in 1991
- ◆ 5 AXL Gas Wells Tied In
- ◆ Production Commenced August, 1991

Normandville

- ◆ 1990 – Initial 3-D Program
- ◆ AXL Acquired 60% Interest in Existing Wells and Facilities
- ◆ 1990-91 – New Oil and Gas Discoveries Made
- ◆ 1992 – Ongoing Exploration and Development



EASTERN ALBERTA GAS AREA

♦ Active Operating Area

♦ AXL Operated Facilities

- 6 Gas Plants
- 2 Major Gas Gathering Systems

♦ Gas Wells – 151

- 56 Producing
- 95 Shut-in

♦ 1991 Exploration Activity

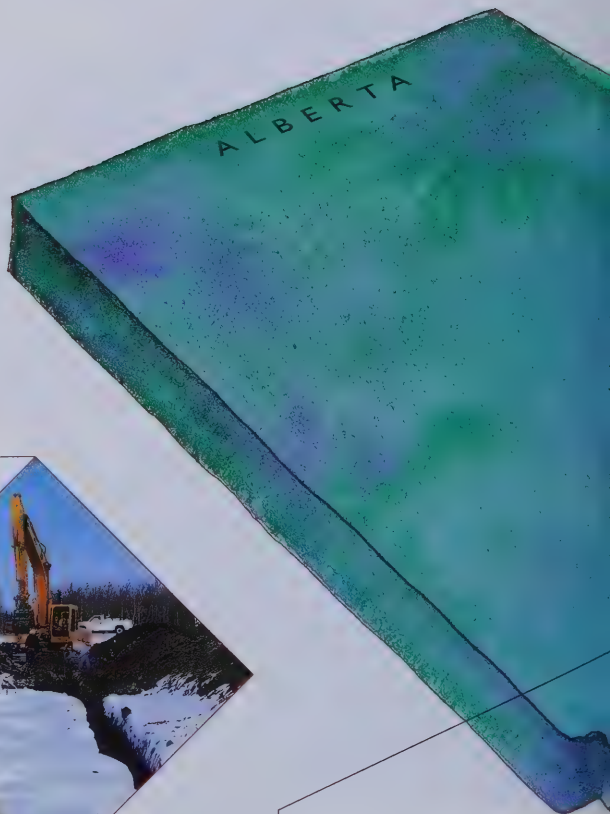
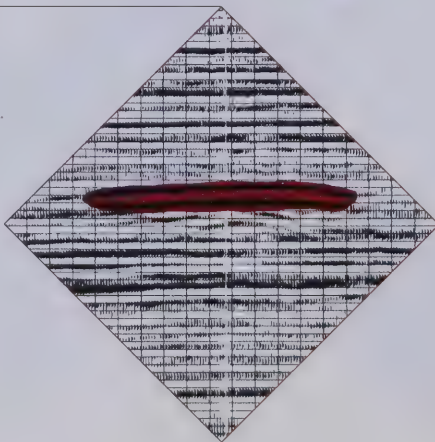
- 31 Wells Drilled – 25 Gas Discoveries
- 605 Miles of 2-D Seismic
- 100% Working Interest

♦ 1991 AXL Production – 21 mmcfd

1991 pipeline construction. 100% ownership of facilities permits optimum control of operations in area.

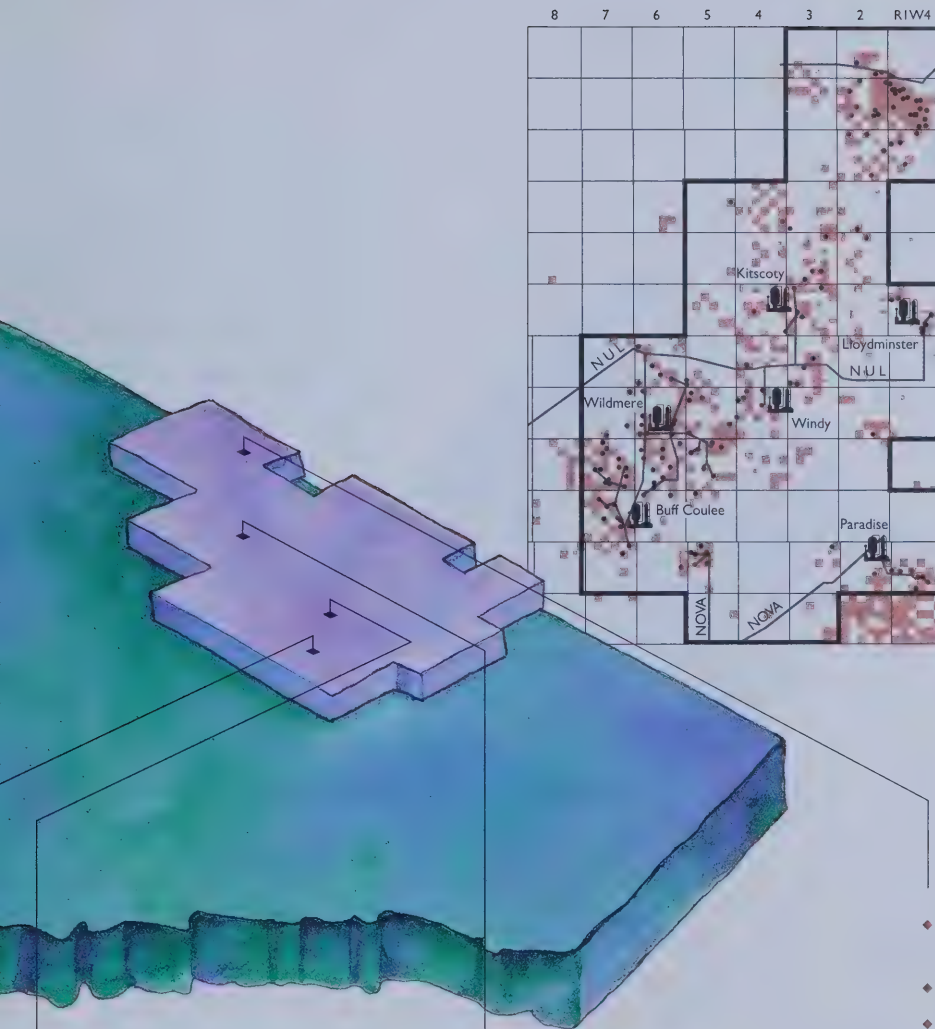


2-D seismic using "Bright Spot" technique is key to exploration success in area.



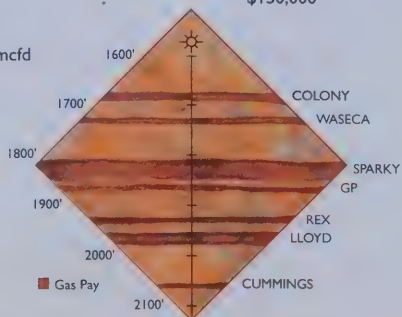
Buff Coulee

- ♦ First Exploration – Late 1970's
- ♦ First Company Gas Plant in Area
- ♦ On Production – March 1982
- ♦ Cumulative Production – 15.7 bcf from 13 Wells
- ♦ Remaining Reserves – 14.6 bcf



Wildmere

- ◆ First Exploration – June 1988
- ◆ On Production November 1990
- ◆ Facilities
 - 43 Mile Gathering System Connecting 19 Wells
 - 20 mmcf/d Capacity Plant
- ◆ 1991 AXL Production – 11.3 mmcf/d
- ◆ Remaining Reserves – 91 bcf

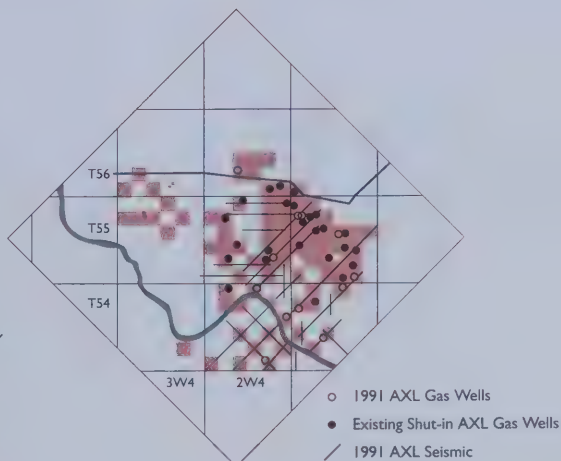


Turkey Hill Well

- ◆ Multi-zone Potential at Shallow Depths
- ◆ AXL Well
 - 7 Gas Zones
 - 56 Feet of Net Pay
 - Dual Completion
- ◆ Completed Well Cost – \$150,000

John Lake

- ◆ 1991 – Active Exploration and Development
- ◆ Facility Construction – 1992
- ◆ First Gas Sales – 5 mmcf/d, October 1992
- ◆ Remaining Reserves – 39 bcf





Drilling Activity

Drilling activity in 1991 was down from the record levels of 1990. It became apparent as the year progressed that cash flow would not be available to sustain the prior year's level of exploratory drilling. Seventy-three wells were drilled. The Company's average working interest in the wells was 74 percent and the Company operated all but four of the new wells. An additional seven wells were drilled on Anderson Exploration's lands at no cost to the Company, compared to eight in 1990.

Drilling Activity

	1991		1990	
	Gross	Net	Gross	Net
Gas	38	33	44	39
Oil	18	10	38	24
Dry	17	11	23	14
Total	73	54	105	77

Production

Natural gas production increased 17 percent to 77 million cubic feet per day. Anderson Exploration's share

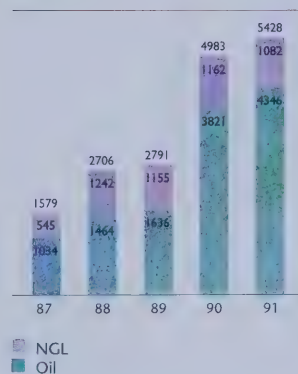
of production to Alberta and Southern Gas Company Ltd. (A&S) from the Company's major field, Dunvegan, was down due to market restrictions by about 4.4 million cubic feet per day from 1990. However, production resulting from newly installed facilities in other fields more than compensated for this decrease. Notable in this regard was the Wildmere Plant in eastern Alberta which came onstream on November 21, 1990 and contributed an average of 11.3 million cubic feet per day to the Company's gas production stream during

Anderson Exploration 1991 Average Daily Gas Production

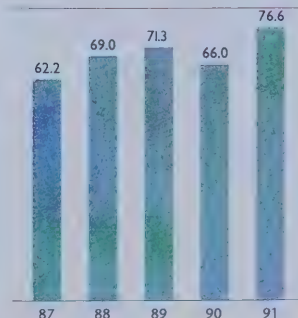
Fiscal 1991	MMCFD
October	79.3
November	69.1
December	94.1
January	95.7
February	99.5
March	113.7
April	84.1
May	69.4
June	54.0
July	48.4
August	42.1
September	73.3
Average	76.6

the year. As shown on the accompanying table, gas sales on a monthly basis fluctuated wildly due to market demand. In March 1991 the Company's production averaged 113.7 million cubic feet per day but in August 1991 production was only 42.1 million cubic feet per day.

Daily Oil and NGL Production BPD



Daily Natural Gas Production MMCFD



Marketing and Product Prices

Natural Gas

Total oil and natural gas liquids (NGL) production increased nine percent to 5,428 barrels per day. NGL production declined seven percent to 1,082 barrels per day due to decreased gas sales at Dunvegan, while crude oil production increased 14 percent to 4,346 barrels per day.

Anderson Exploration Producing Properties Daily Average Production

Crude Oil BOPD	1991	1990
Eaglesham – Culp	1,277	1,801
Tangent	1,158	670
Normandville	502	100
Hayter	306	259
Manyberries	266	238
Mitsue	119	109
Belloy	108	35
Progress	88	101
Rycroft	78	95
Pembina	71	75
Other and Royalty	373	338
Total	4,346	3,821

Natural Gas MCFD	1991	1990
Dunvegan	34,360	38,756
Wildmere	11,827	–
Belloy	7,743	6,341
Hines Creek	5,308	5,656
Buff Coulee	4,177	5,045
Paradise	2,167	1,571
Bellis	1,566	2,012
Kitscoty	949	762
Princess	869	878
Forsyth	715	–
Other and Royalty	6,904	4,960
Total	76,585	65,981

With the onset of gas industry deregulation, the Company has recognized for some time the ultimate need for, and has been implementing, changes in marketing tactics.

Anderson Exploration has long been a system supplier; that is, the Company has sold the bulk of its gas volumes to aggregators of supply which, in turn, served consumers along major pipeline routes.

Historically, this approach has served the Company well, in that Anderson Exploration has traditionally enjoyed the highest unit price in the Canadian gas producing industry.

Building on the long-term relationships with traditional buyers has permitted the negotiation of innovative arrangements which permit the Company to sell gas from excess deliverability in contracted areas to alternative markets without exposure to fixed transportation costs.

In 1991, the position of Manager, Marketing was created in order to further facilitate changes in Anderson Exploration's marketing strategy. One of the early benefits of this move was the execution during the year of a direct sales contract with a cogeneration customer in the northeastern United States, with sales commencing on or before November 1, 1993. More deals of this nature, other direct sales, as well as continued sales to aggregators, some under renegotiated contract terms, will form natural gas marketing strategy in the future.

Anderson Exploration Historical Average Gas Price

Fiscal Year	\$ per MCF
1985	2.93
1986	2.56
1987	2.15
1988	1.92
1989	1.96
1990	1.93
1991	1.68

While natural gas prices crashed in 1991, the medium- to long-term outlook for gas prices and volumes is good. The Iroquois pipeline project, which will ultimately deliver about 576 million cubic feet of Canadian gas per day to the eastern United States, is now delivering some gas while construction continues. Additional capacity on the TransCanada system will permit additional sales of Canadian gas to the United States midwest. By 1994, additional pipeline capacity should be available to serve the United States northwest and California. These projects will deplete the excess deliverability in the Canadian supply basin, reducing the price competition among producers for available pipeline space.

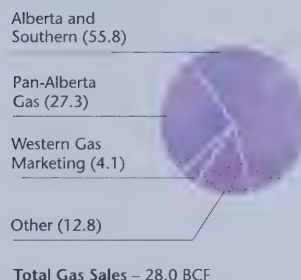
The Company expected its average gas price to decline; however, the drop to \$1.68 per thousand cubic feet was more severe than expected. Although prices paid by its major purchaser, A&S, declined late

in the year, the yearly average prices paid by other purchasers declined even more severely. Spot prices into California from the United States southwest were unseasonably low in February 1991 and it was in that atmosphere that A&S prices were renegotiated effective August 1, 1991 for the year ending July 31, 1992. Four producer ballots were required to settle the pricing issue. In order to judge the price reduction, the A&S price received in September 1991, the second month of the new

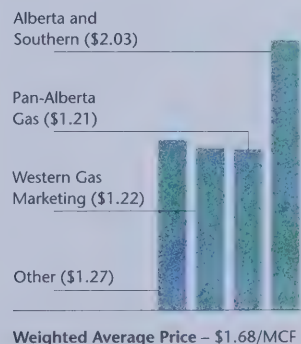
Anderson Exploration
1991 and 1990 Gas Prices

Fiscal Month	Average Price \$ per MCF	
	1991	1990
October	1.87	1.88
November	1.94	1.98
December	1.90	1.93
January	1.87	1.95
February	1.78	2.00
March	1.75	2.00
April	1.62	1.93
May	1.69	1.98
June	1.62	1.92
July	1.50	1.90
August	1.36	1.84
September	1.39	1.87
Weighted Average	1.68	1.93

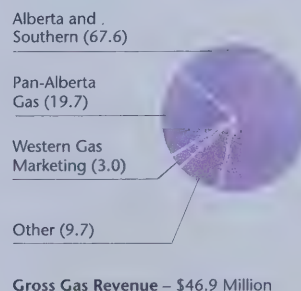
Sales
Distribution
% of Volume



Price
\$/MCF



Revenue
% of \$



price year, was \$1.71 per Mmbtu versus \$2.09 per Mmbtu in September 1990.

Gas prices declined steadily throughout the year and Anderson Exploration expects prices to remain soft in 1992. Although the A&S price should continue to be the highest available price, Anderson Exploration will be selling a larger proportion of its gas to purchasers with lower prices than the A&S price. The Company's average price for 1992 should be in the order of \$1.45 per thousand cubic feet.

Oil and Natural Gas Liquids

As Anderson Exploration's fiscal 1991 commenced, the Middle East crisis involving Iraq and Kuwait was in full swing. Approximately 4.5 million barrels per day, or about 7.1 percent, was taken out of the supply side of the world oil equation. This amount was easily made up by other OPEC countries, predominantly Saudi Arabia.

Supply and demand fundamentals, therefore, did not support the severe oil price spike. The Company hedged 1,000 barrels of oil production per day for the first six months of 1991 by entering into a collar arrangement, ensuring a minimum price of \$US 32.60 and a maximum price of \$US

37.60 per barrel. A gain of \$1.2 million was realized on this transaction.

Anderson Exploration sells the majority of its crude oil to a single purchaser under a short-term contract. The price received is based on daily posted prices at Edmonton, adjusted for crude quality and transportation which, in turn, is based on the price of West Texas Intermediate (WTI) crude oil as traded on the New York Mercantile Exchange. For the third consecutive year, the Company experienced an increase in crude oil price, averaging \$24.63 per barrel

Anderson Exploration Historical Average Oil Price

Fiscal Year	\$ per Barrel
1985	31.33
1986	24.22
1987	20.41
1988	17.23
1989	17.27
1990	21.47
1991	24.63

Anderson Exploration 1991 and 1990 Liquids Prices

Fiscal Month	Average Price – \$ per Barrel					
	Oil		Condensate		LPG	
	1991	1990	1991	1990	1991	1990
October	38.24	19.15	39.03	23.35	22.97	9.59
November	33.63	19.99	34.91	20.79	20.56	9.94
December	28.52	20.53	28.69	21.71	18.84	12.39
January	25.28	22.27	25.77	23.74	16.24	16.92
February	20.24	22.70	20.87	24.29	12.35	12.73
March	18.55	21.77	19.67	22.06	11.64	9.59
April	19.42	18.30	20.10	19.48	10.35	8.78
May	19.69	18.37	21.50	19.43	9.69	8.64
June	18.88	16.24	20.22	17.22	9.99	9.46
July	20.60	17.44	19.73	18.58	8.29	8.96
August	20.63	26.78	21.81	28.23	8.80	13.06
September	20.60	33.65	20.13	35.99	9.49	17.79
Weighted Average	24.63	21.47	23.12	22.34	14.37	11.64

versus \$21.47 in 1990. Again, monthly oil price swings ranged over 100 percent between the lowest and highest average monthly prices received.

The monthly oil price trend in fiscal 1991 was the exact opposite of 1990, as the accompanying table illustrates. The predictability of prices was exacerbated by the events in the Middle East, but the oil price experience of the past two years certainly illustrates the difficulty in predicting oil prices in the short-term. Budgeting for 1992 as it relates to liquids prices has been done on the basis of a field price of approximately \$20 per barrel for the Company's crude oil mix.

The Company sells virtually all NGL production to one buyer under a new two-year arrangement negotiated in 1991. The agreement provides for fixed

deductions and market sensitive pricing. NGL have their own distinct market and prices react differently than oil prices. LPG prices declined steadily throughout 1991.

Reserves

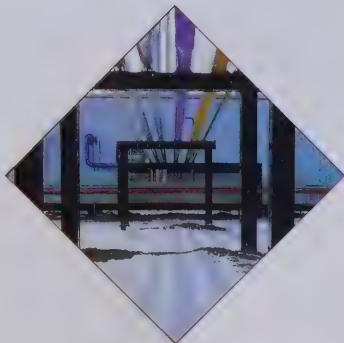
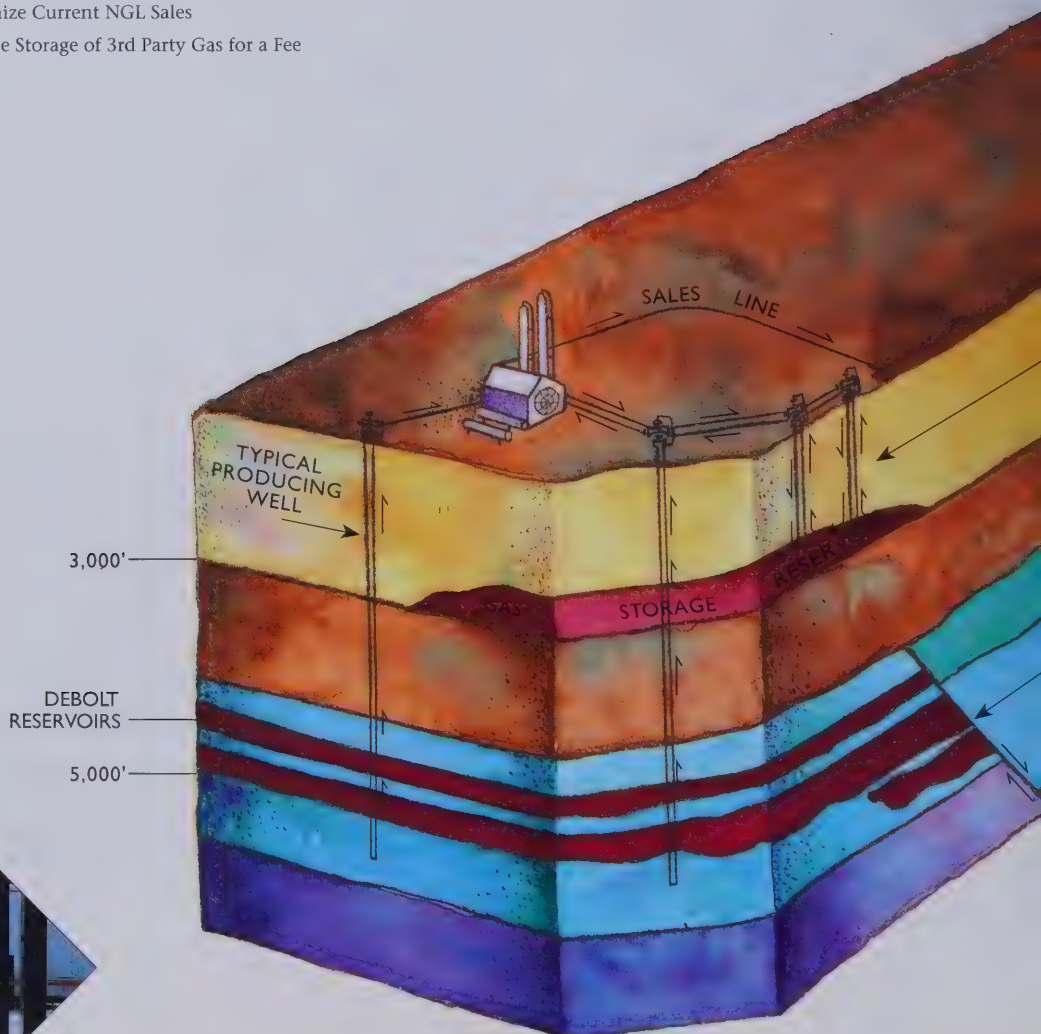
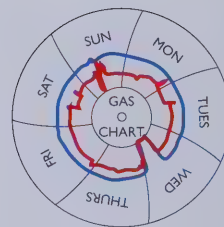
In 1991, Anderson Exploration's reserve additions were accomplished by the continued success of the eastern Alberta gas exploration program, exploratory oil drilling in the Peace River Arch area and by a significant gas acquisition surrounding the 100 percent Company-owned property at Hines Creek. These efforts resulted in the addition of proven plus probable reserves of 102 billion cubic feet of gas and 1.0 million barrels of liquids.

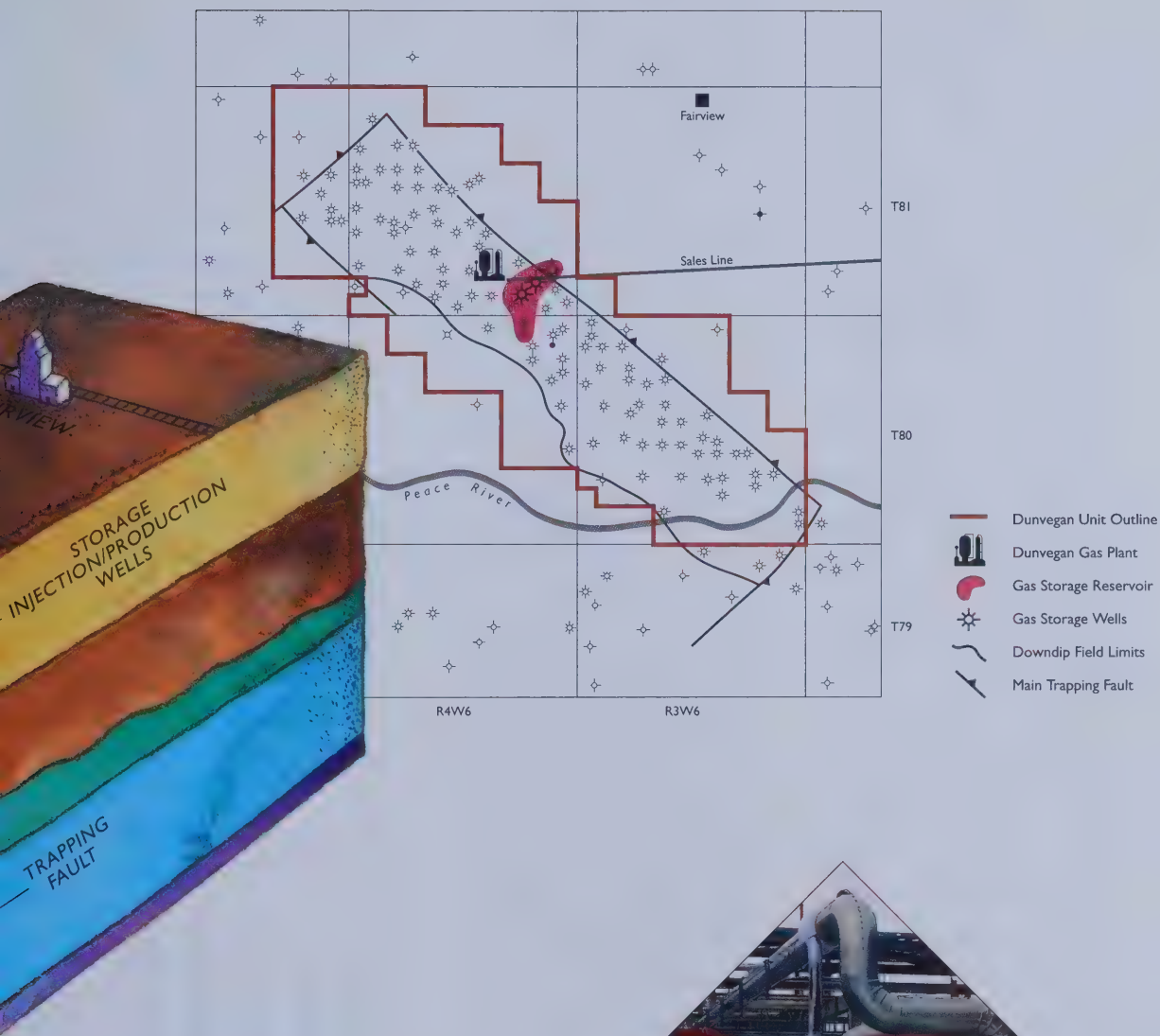
The successful drilling of 25 wells in eastern Alberta added 33.9 billion cubic feet of proven reserves or 89 percent of the gas reserves added by drilling. Drilling was concentrated in a number of areas to localize sufficient reserves for development projects similar to the Wildmere Project which came onstream in 1991. Plant and gathering system engineering is ongoing, with a project at John Lake scheduled to come on-stream early in fiscal 1993.

At Hines Creek, Anderson Exploration purchased 29.7 billion cubic feet of proven gas reserves, with seven usable shut-in wells adjacent to the Company's existing production. The total purchase price for the acquisition was \$4.1 million. The implied unit price for the reserves of \$0.14 per thousand cubic feet was

DUNVEGAN GAS STORAGE SYSTEM

- ♦ Installed 1991 at Cost of \$1.9 Million
- ♦ Owned by Dunvegan Gas Unit – AXL 47.5%
- ♦ Only Third Such System in Alberta
- ♦ Functions
 - Inject at Low Market Demand
 - Produce at High Market Demand
 - Optimize Depletion of Low Deliverability Zones
 - Maintain Field Deliverability at Minimal Capital Cost
 - Maximize Current NGL Sales
 - Possible Storage of 3rd Party Gas for a Fee





Storage Characteristics

- ◆ Storage Reservoir – Gething Sand at 3,000'
- ◆ Approved Storage Capacity of 20 bcf
- ◆ 2 Injector/Producers, 1 Producer
- ◆ Current Injection Capacity of 33 mmcf/d
- ◆ Current Productivity of 39 mmcf/d



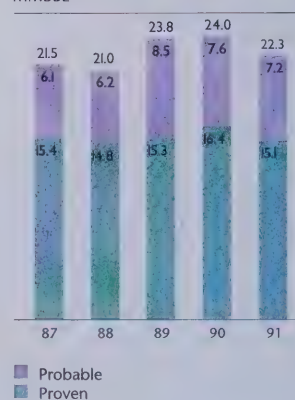
achieved because of the Company's competitive position and knowledge of the area. Two of the purchased wells were tied into the existing gathering system in October 1991. Total field deliverability was increased from 6.6 to 10.5 million cubic feet per day. The additional reserves were contracted and went onstream November 1, 1991.

Oil exploration efforts in the Peace River Arch area were down substantially from fiscal 1990. The 9.4 net new wells in the area accounted for all the 1991 drilling additions. The majority of the wells were drilled late in the fiscal year and did not add to the Company's 1991 liquid production, but will increase early 1992 production.

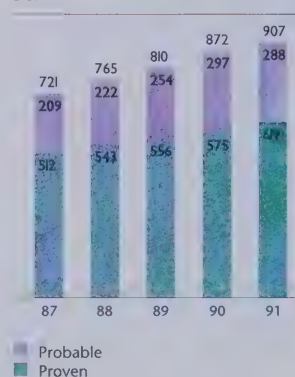
The 1991 reserve additions by drilling and acquisitions, net of dispositions and before revisions, replaced 257 percent of 1991 gas production on a proven basis and 364 percent on a proven plus probable basis. Liquid reserve additions on the same basis were 37 percent and 55 percent of production, respectively.

Total year-end liquid reserves were seven percent lower than year-end fiscal 1990. The reduced drilling activity did not keep pace with record production. Production performance of a number of D-1 oil wells resulted in a reduction of proven and probable reserves, partially offset by positive revisions in other areas. The Company's oil and NGL reserve life indices are 7.6 years and 11.2 years on a proven and proven plus probable basis, respectively.

Oil and NGL Reserves
MMBBL



Natural Gas Reserves
BCF



Year-end gas reserves of the Company were up substantially from 1990. The gas reserve life index of 22 years for proven and 32.3 years for proven plus probable reserves are down slightly. The gas reserve life indices are expected to decline in 1992 as new marketing opportunities are put in place.

Anderson Exploration's reserves are estimated by Company engineering personnel with the starting base being an independent engineering evaluation, effective January 1, 1990. Due to the expense involved, independent evaluations are not conducted on an annual basis.

1991 Reserve Additions and Revisions

Natural Gas

<i>Billion Cubic Feet</i>	Proven	Probable	Total
Drilling	38	26	64
Acquisitions and Dispositions	34	4	38
Total Additions	72	30	102
Revisions	0	(39)	(39)
Total	72	(9)	63

Crude Oil and Natural Gas Liquids

<i>Thousands of Barrels</i>	Proven	Probable	Total
Drilling	682	319	1,001
Acquisitions and Dispositions	56	33	89
Total Additions	738	352	1,090
Revisions	(32)	(810)	(842)
Total	706	(458)	248

1991 Year-End Reserves

Natural Gas

<i>Billion Cubic Feet</i>	Proven	Probable	Total
At September 30, 1990	575	297	872
1991 Additions and Revisions	72	(9)	63
1991 Production	(28)	0	(28)
At September 30, 1991	619	288	907

Crude Oil and Natural Gas Liquids

<i>Thousands of Barrels</i>	Proven	Probable	Total
At September 30, 1990	16,422	7,592	24,014
1991 Additions and Revisions	706	(458)	248
1991 Production	(1,981)	0	(1,981)
At September 30, 1991	15,147	7,134	22,281



MANAGEMENT'S DISCUSSION AND ANALYSIS

AND RESULTS OF OPERATIONS

Anderson Exploration was successful in increasing funds flow and earnings from operations in each of the four years preceding 1991 in spite of an overall decline in product prices beginning with the severe drop in oil prices in 1986. Oil and gas production increases in fiscal 1991 were not sufficient to offset lower gas prices, higher current taxes and higher expenses to continue the increasing pattern of funds flow and earnings from operations. In 1991, funds flow from operations decreased five percent. Net earnings from operations decreased 33 percent.

Derivation of Funds Flow and Net Earnings

To derive funds flow and net earnings from operations in the following review, the components of revenue and expense are expressed on a barrel equivalent basis, converting gas production volumes to barrels

at 10,000 cubic feet per barrel. This is a commonly used financial conversion ratio.

Revenue

Gross revenue from oil and gas sales increased 14 percent to \$93.9 million from \$82.7 million. This improvement in revenue is attributable to the 17 percent increase in gas production to 77 million cubic feet per day, as well as the nine percent increase in total liquids production to 5,428 barrels per day. Also contributing to the revenue increase were increases in crude oil prices to \$24.63 per barrel from \$21.47, condensate prices to \$23.12 per barrel from \$22.34 and LPG mix prices to \$14.37 per barrel from \$11.64. Although gas prices decreased from \$1.93 to \$1.68 per thousand cubic feet, the contribution of gas to total revenue remained essentially unchanged due to increased production. On a barrel

equivalent basis, the Company's average product price increased slightly from \$19.57 to \$19.65. Gross oil revenue accounted for 43 percent of total revenue, up from 36 percent in 1990. Revenue from NGL production made up seven percent of revenue, versus eight percent in 1990. Gas revenue accounted for 50 percent of total revenue as opposed to 56 percent in 1990.

Royalties

Royalties paid rose 30 percent to \$22.3 million from \$17.1 million, substantially more than the 14 percent increase in sales revenue. On a barrel equivalent basis, royalties increased to \$4.67 per barrel from \$4.06 per barrel. A portion of the Company's 1990 oil production was royalty-free because of royalty holidays on new discovery wells; however, most of the royalty holidays

expired in 1991, resulting in an increase in the oil royalty rate. A significant portion of Anderson Exploration's gas production is classified as "old" gas which attracts a higher royalty rate. As the share of gas production coming from "new" gas grows, average royalties on gas will decrease. On balance, royalty on a barrel equivalent basis should remain relatively stable in 1992.

Operating Expense

Operating expense increased 30 percent from \$14.5 million to \$18.9 million, due primarily to new properties coming on production. On a barrel equivalent basis, operating expense increased 15 percent to \$3.95 from \$3.42 in 1990. For properties on production at the end of 1991, the Company is budgeting a decrease in total operating expense in 1992 due primarily to the installation of water-handling facilities which eliminate the expense of trucking water to disposal facilities.

General and Administrative Expense

As anticipated, total general and administration costs increased in 1991. The increase totalled 31 percent to \$4.6 million from \$3.5 million. The increase is a result of staff and office expansion in late 1990 and early 1991 associated with the larger capital expenditure program in 1990 and increased oil production volumes.

General and administrative expense on a barrel equivalent basis was \$0.96 compared to \$0.83 in 1990, an increase of 16 percent. This expense is recorded net of overhead recovered by the Company as operator of producing properties and capital projects. Recoveries totalled \$2.1 million in 1991. Anderson Exploration's general and administrative expense on a unit basis is among the lowest for public companies in the industry. Total general and administrative costs will increase in 1992. On a barrel equivalent basis, however, these costs will be maintained at or near the low levels of previous years.

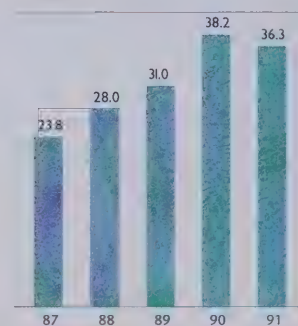
Net Financing Expense

Interest expense, net of investment income, was \$8.3 million in the year compared to \$10.6 million in 1990. Average debt levels in 1991 were lower than in 1990. Interest rates were also lower than in the prior period. Barrel equivalent net financing expense was \$1.73 versus \$2.51 in 1990.

Current Income Tax

The current income tax expense in 1991, net of the impact of the Alberta Royalty Tax Credit, was \$3.6 million compared to a recovery of \$1.2 million in 1990. The Company

Funds Flow*
\$ Millions



* Not including unusual items

is subject to the large corporations tax. The higher level of current tax is a reflection of the Company's lower level of exploration expenditures in 1991 versus 1990. The barrel equivalent current tax in 1991 was \$0.75 versus a recovery of \$0.28 in 1990. At year end, the Company had unused tax pools totalling \$77 million, of which \$38 million was Canadian Oil and Gas Property Expense, \$28 million was undepreciated Capital Cost Allowance and \$11 million was Canadian Development Expense. The Company expects to be taxable on a current basis in 1992; however, the amount of current tax will depend on the ability to spend on exploration.

Funds Flow

Funds flow from operations decreased five percent in 1991 to \$36.3 million or \$1.77 per share on a larger number of shares outstanding compared to \$38.2 million or \$2.07 per share in 1990. In 1990, an unusual item resulting from the sale of investments

increased total funds flow to \$43.6 million or \$2.36 per share. The Company's funds flow is discretionary and available for capital programs and reductions of long-term obligations. Barrel equivalent funds flow from operations was \$7.59 versus \$9.03 in 1990.

Funds flow from operations in 1992 will largely depend on gas nominations and prices, which are both volatile. Liquids pricing levels in 1992, although unpredictable, will probably be lower than in 1991, since the price spike caused by the Gulf war affected 1991 average prices.

Depletion and Depreciation

Depletion and depreciation provided on the unit-of-production method is based on total proven reserves. In 1991,

production grew by 13 percent from 11,583 to 13,086 barrels of oil equivalent per day while proven reserves on a barrel equivalent basis increased four percent to 77 million equivalent barrels. The provision for depletion and depreciation increased by \$3.9 million or 20 percent due primarily to higher production levels. Depletion charges on a barrel equivalent basis were \$4.96 compared to \$4.69 in 1990.

Deferred Income Tax

Total current and deferred income taxes were \$11.6 million compared to \$11.4 million in 1990. The total tax rate as a percentage of income before taxes was higher in 1991 at 62.7 percent versus 55 percent in 1990, due to proportionately higher Crown royalty expense. This expense is not allowed as a deduction in

Funds Flow from Operations

<i>\$ per Barrel Equivalent</i>	1991	1990
Gross Revenue	\$ 19.65	\$ 19.57
Royalties	4.67	4.06
Operating	3.95	3.42
General and Administrative	0.96	0.83
Net Financing	1.73	2.51
Net Current Income Tax	0.75	(0.28)
Funds Flow	\$ 7.59	\$ 9.03

calculating income taxes payable. Deferred income tax was \$1.38 per equivalent barrel compared to \$2.50 in 1990. This reduction is primarily a result of reduced exploration expenditures which, in turn, resulted in higher current taxes payable.

Net Earnings

Net earnings from operations decreased in 1991 to \$6.0 million, compared to \$8.9 million in 1990. On a per share basis, 1991 earnings from operations were \$0.29 compared to \$0.49. Total earnings

of \$13.2 million in 1990, or \$0.72 per share, included an unusual gain of \$4.3 million after-tax realized on the sale of investments. On a barrel equivalent basis, earnings from operations were \$1.25 in 1991 versus \$2.11 in 1990, without the unusual item.

Capital Expenditures

Anderson Exploration's gross additions to property, plant and equipment totalled \$45.4 million in 1991 versus \$74.5

million in 1990, the highest annual amount in the history of the Company. Exploration expenditures were reduced in 1991 by 39 percent versus 1990 in order to keep expenditures within the limits of funds flow. Total capital expenditures were budgeted for 1991 in a range of \$42.3 to \$64.0 million because of the uncertainties which existed at the time of budgeting. The goal was to keep expenditures well within the potential sources of cash. As the year progressed, most of the uncertainties among those envisioned developed on the downside with the result that the gross capital expenditures were kept in the low end of the budget range at \$45.4 million. Net capital expenditures were \$33.0 million after deducting

Net Earnings from Operations

Net of Unusual Items

\$ per Barrel Equivalent	1991	1990
Funds Flow from Operations	\$ 7.59	\$ 9.03
Depletion and Depreciation	4.96	4.69
Deferred Income Taxes	1.38	2.23*
Net Earnings from Operations	\$ 1.25	\$ 2.11

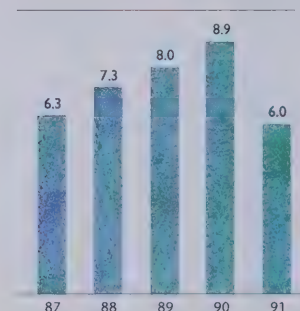
*Does not include deferred taxes related to an unusual item.

Allocation of Capital Investment

\$ Millions	1991	1990
Exploration Drilling and Completion	\$ 16.5	\$ 29.3
Seismic	5.9	7.5
	\$ 22.4	\$ 36.8
Land Bonus,		
Property Acquisition and Retention	\$ 8.9	15.4
Development Drilling and Completion	7.6	5.2
Facilities	6.5	17.1
	14.1	22.3
Gross Capital Investment	45.4	74.5
Property Disposition Proceeds	10.4	0.7
Tax Value of Flow-through Shares	2.0	1.3
Net Capital Investment	\$ 33.0	\$ 72.5

Net Earnings*

\$ Millions



* Not including unusual items

\$10.4 million of proceeds for the disposition of properties, \$10.0 million of which resulted from the sale of an interest in a block of undeveloped acreage.

Financial Resources and

Liquidity

During 1991, net capital expenditures were maintained within the Company's level of funds flow. To finance expenditures in excess of funds flow, Anderson Exploration took the necessary steps to maintain a prudent financial profile. Early in the year, flow-through shares in the amount of \$4.4 million were issued and during the year \$10.4 million in proceeds were realized due to property dispositions. Including these amounts, sources of cash during the year totalled \$52.0 million. In 1991, the company reduced long-term bank debt by \$2.0 million to \$73.0 million and reduced its deferred revenue liability by \$5.9 million.

At year end, Anderson Exploration had unused lines of credit of approximately \$72.0 million and working capital of \$1.9 million. No debt repayments are required in 1992. The Company's deferred revenue liability balance is \$11.1 million, which will be further reduced by approximately \$7.5 million in 1992 and completely extinguished in 1993. Funds flow for the year covered interest expense 5.1 times and long-term debt at year end was 2.0 times 1991 funds flow from operations. Anderson Exploration has the resources to continue an active exploration and development program.

Share Information

The Company's common shares were listed on The Toronto Stock Exchange on July 12, 1988. At September 30, 1991 20,564,386 common shares were outstanding. During the year, 2,000,000 common shares were issued through the exchange of a like number of special warrants issued in 1990 at \$18.25 per special warrant.

Business Risks

Oil and gas exploration, production and marketing operations involve a number of business risks. They include the uncertainty of finding new reserves and the instability of commodity prices. These risks are compensated for by employing highly competent professional staff and utilizing

Share Information

	1988	1989	1990	1991				
	Q4	Year	Year	Q1	Q2	Q3	Q4	Year
High	\$ 12	\$ 18	\$ 20	17½	16½	16	13½	17½
Low	\$ 10 ½	\$ 10 ¾	\$ 16 ½	16	13½	13	10½	10½
Close	\$ 11 ¾	\$ 17 ¼	\$ 18 ¾	16½	15	13	11¼	11¼
Volume (000's)	1,520	2,477	1,474	201	492	763	601	2,057

equity and funds flow to fund capital expenditures so that debt does not become a burden. The Company generates nearly all of its exploration prospects internally. Extensive geological and geophysical analyses are performed before committing to the drilling of new prospects. Various procedures are utilized to ensure a suitable balance between risk and reward.

Commodity prices have been unstable and remain so. The Company hedged 1,000 barrels of oil production per day for the first six months of fiscal 1991. A collar arrangement was entered into to ensure a minimum price of \$US 32.60 per barrel and a maximum price of \$US 37.60 per barrel based on the average closing prices for WTI crude oil on the New York Mercantile Exchange over the term of the agreement. A gain of \$1.2 million was realized on this transaction. No other hedging has been done.

Historically, regulatory intervention and taxation have had a significant impact on the oil and natural gas industry. However, with the deregulation of the industry beginning in 1985, combined with acceptable taxation levels, there is currently a stable operating and exploratory environment in Canada for financially healthy companies. The potential exists for this environment to change due to change in taxation and energy policies. A positive change has occurred with the recent announcement by the Province of Alberta of a royalty holiday program for new oil wells where drilling is commenced during the period from November 1, 1991 through March 31, 1993.

Business Prospects

Although there is substantial surplus in oil productive capacity in the world, the Company's outlook for the Canadian oil producing industry is bright. Recent events in the Middle East have

illustrated the fragility of the supply of imported oil for North America and other importing regions of the world. This instability should place increased emphasis on security of supply for heavy consuming areas such as North America. Further, as the former USSR and the countries in eastern Europe develop free-market economies, their demand for oil will increase, placing further pressure on world oil supplies. The value of liquid hydrocarbon reserves in North America should increase in time.

Although there is currently a surplus of gas productive capacity indigenous to North America, supply and demand are approaching a balance. The security of supply question is likely to reduce the heating value price discount of natural gas as compared to competing fuels. This, coupled with the environmental awareness of natural gas as a clean fuel, leads to the Company's expectation

that the future of the Canadian natural gas producing industry is promising. On a barrel equivalent basis, 80 percent of Anderson Exploration's remaining proven reserve is made up of natural gas.

Oil and Natural Gas Sales Revenue

Oil volumes and revenues will depend on exploration and acquisition success and commodity prices. Oil prices are expected to remain near present levels, based on \$US 20 for WTI, but the commodity market remains volatile. Natural gas volumes are difficult to predict for 1992. Purchaser nominations on long-term contracts have fluctuated widely. The Company's average price for gas will probably decline because a higher proportion of total gas sales will be going to contracts with lower prices than those paid by A&S and A&S prices themselves have declined.

Royalties

Royalty rates on crude oil production should remain essentially the same in 1992 as in 1991. There may be some benefit from the royalty holiday program; however, average royalty rates on natural gas production will tend to decrease as more production comes from "new" gas which has a lower royalty rate than "old" gas. On balance, total royalty rates should remain about the same in 1992 as in 1991.

Operating Expense

Total operating expense is expected to increase as new production is brought on-stream. Oil and natural gas operating expense, on a unit of production basis, is expected to decrease slightly.

General and Administrative Expense

These expenses have increased in the last year. While total general and administrative expense will increase, it is expected that such expenses on a barrel equivalent basis will remain low in 1992.

Financing Expense

The Company does not currently plan to increase debt levels significantly in the coming year, except to the extent that debt could be used to finance prudent acquisitions. Interest rates have recently declined substantially, but it appears unlikely that substantial further reductions will be achieved in the near-term.

Depletion and Depreciation Expense

These expenses are affected by capital expenditures, production volumes and the amount of reserve additions in the year. It is anticipated that these charges will increase somewhat in 1992.

Taxes

Corporate tax rates should be stable in 1992. The Alberta Royalty Tax Credit fluctuates with oil prices. The new Goods and Services Tax does not affect capital or operating expenditures, but does create a significant administrative burden.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Anderson Exploration Ltd. as at September 30, 1991 and 1990 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 1991 and 1990 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.



Chartered Accountants

Calgary, Canada

November 8, 1991, except

as to Note 6 which is as of

December 1, 1991

CONSOLIDATED BALANCE SHEETS

September 30
(Stated in thousands of dollars)

Assets	1991	1990
Current assets:		
Cash	\$ 8,762	\$ 10,828
Accounts receivable	9,393	13,475
Income taxes receivable	—	408
Inventories, at cost	229	233
	<u>18,384</u>	<u>24,944</u>
Property, plant and equipment (note 2)	357,500	348,177
	<u>\$ 375,884</u>	<u>\$ 373,121</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 13,506	\$ 21,523
Income taxes payable	2,989	—
	<u>16,495</u>	<u>21,523</u>
Deferred revenue	11,108	17,002
Long-term debt (note 3)	73,000	75,000
Deferred income taxes	83,499	76,924
Shareholders' equity (note 4):		
Share capital	161,581	123,029
Special warrants	—	35,413
Retained earnings	30,201	24,230
	<u>191,782</u>	<u>182,672</u>
	<u>\$ 375,884</u>	<u>\$ 373,121</u>

On Behalf of the Board:


Director


Director

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended September 30
(Stated in thousands of dollars, except per share data)

	1991	1990
Revenue:		
Oil and gas	\$ 93,864	\$ 82,724
Royalties	(22,334)	(17,142)
Interest, dividends and other	513	712
	<u>72,043</u>	<u>66,294</u>
Expenses:		
Operating	18,860	14,464
Depletion and depreciation	23,718	19,825
General and administrative	4,566	3,491
Interest (including \$7,856 on long-term debt; 1990 – \$10,928)	8,781	11,322
	<u>55,925</u>	<u>49,102</u>
Earnings before income taxes and unusual item	16,118	17,192
Gain on disposition of investments	–	5,401
	<u>16,118</u>	<u>22,593</u>
Income taxes (note 5):		
Current	5,000	875
Deferred	6,575	10,555
Alberta Royalty Tax Credit	(1,428)	(2,046)
	<u>10,147</u>	<u>9,384</u>
Net earnings	<u>\$ 5,971</u>	<u>\$ 13,209</u>
Earnings per common share	<u>\$ 0.29</u>	<u>\$ 0.72</u>

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Years ended September 30
(Stated in thousands of dollars)

	1991	1990
Retained earnings, beginning of year (note 4)	\$ 24,230	\$ 11,021
Net earnings	5,971	13,209
Retained earnings, end of year	<u>\$ 30,201</u>	<u>\$ 24,230</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Years ended September 30

(Stated in thousands of dollars, except per share data)

	1991	1990
Cash provided by (used in):		
Operations:		
Net earnings	\$ 5,971	\$ 13,209
Add items not requiring working capital:		
Depletion and depreciation	23,718	19,825
Deferred income taxes	6,575	10,555
Gain on disposition of investments	—	(5,401)
Funds from operations	36,264	38,188
Change in non-cash working capital	(534)	7,109
	35,730	45,297
Investments:		
Additions to property, plant and equipment	(43,465)	(73,153)
Proceeds on disposition of property, plant and equipment	10,424	689
Proceeds on disposition of investments	—	10,276
	(33,041)	(62,188)
Financing:		
Decrease in deferred revenue	(5,894)	(6,356)
Repayment of long-term debt	(2,000)	(5,000)
Issue of common shares	3,139	3,091
Issue of special warrants	—	35,413
	(4,755)	27,148
Increase (decrease) in cash	(2,066)	10,257
Cash, beginning of year	10,828	571
Cash, end of year	\$ 8,762	\$ 10,828
Funds from operations per common share	\$ 1.77	\$ 2.07
Change in non-cash working capital:		
Accounts receivable	\$ 4,082	\$ 163
Government grants receivable	—	669
Income taxes receivable/payable	3,397	1,427
Inventories	4	32
Accounts payable and accrued liabilities	(8,017)	4,818
	\$ (534)	\$ 7,109

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 1991 and 1990

Anderson Exploration Ltd. (the "Company") is engaged in the acquisition, exploration, development and production of petroleum natural gas resources in Western Canada.

I. Significant Accounting Policies:

(a) *Basis of presentation:*

The consolidated financial statements include the accounts of Anderson Exploration Inc., a wholly-owned inactive U.S. subsidiary.

(b) *Joint interest operations:*

Substantially all of the Company's oil and gas exploration and production activities are conducted jointly with others and accordingly the accounts reflect only the Company's proportionate interest in such activities.

(c) *Property, plant and equipment:*

The Company follows the full cost method of accounting for petroleum and natural gas properties. Under this method, all costs relative to the exploration for and development of oil and gas reserves are capitalized into a single Canadian cost centre. Capitalized costs include those related to lease acquisitions, geological and geophysical activities, lease rentals on non-producing properties and drilling of productive and non-productive wells. Proceeds received from minor disposals of properties are credited against such costs.

The Company applies a ceiling test to capitalized costs to ensure that such costs do not exceed the estimated future net revenues from production of proven reserves, at prices and operating costs in effect at the year end, plus the estimated fair market value of unevaluated properties. The test also provides for future administrative overhead, financing costs and income taxes.

Depletion of petroleum and natural gas properties and depreciation of plant and production equipment are provided on the unit-of-production method based on total proved reserves before royalties as estimated by Company engineers. Petroleum product and reserves are converted to equivalent units of natural gas using their relative energy content. Other equipment is depreciated over the estimated useful life using the declining balance and straight-line methods at rates varying from 20% to 30% per annum.

(d) *Flow through shares:*

The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow through share arrangements are renounced to investors in accordance with tax legislation. Petroleum and natural gas properties and share capital are reduced by the estimated cost of the renounced tax deductions when the expenditures are incurred.

(e) *Deferred revenue:*

Payments received pursuant to gas sales contracts for undelivered gas are deferred and recognized as revenue when deliveries are made.

(f) *Per share amounts:*

Earnings per common share and funds from operations per common share are calculated using the weighted daily average number of common shares outstanding.

2 Property, Plant and Equipment:

1991 (thousands)	Cost	Accumulated depletion and depreciation	Net book value
Petroleum and natural gas properties, including exploration and development thereon	\$ 487,764	\$ 186,044	\$ 301,720
Plant, production and other equipment	72,412	16,632	55,780
	<u>\$ 560,176</u>	<u>\$ 202,676</u>	<u>\$ 357,500</u>

1990 (thousands)	Cost	Accumulated depletion and depreciation	Net book value
Petroleum and natural gas properties, including exploration and development thereon	\$ 462,703	\$ 165,840	\$ 296,863
Plant, production and other equipment	64,432	13,118	51,314
	<u>\$ 527,135</u>	<u>\$ 178,958</u>	<u>\$ 348,177</u>

Property, plant and equipment with a net book value of \$88,444,000 (1990 – \$91,524,000) has no cost basis for income tax purposes.

As at September 30, 1991, petroleum and natural gas properties include \$20,000,000 (1990 – \$20,000,000) relating to unproved properties which have been excluded from depletion and depreciation calculations.

3. Long-Term Debt:

	As at September 30, 1991		As at September 30, 1990	
	Balance Outstanding (thousands)	Interest Rate	Balance Outstanding (thousands)	Interest Rate
Term bank loan	\$ 5,000	9.5%	\$ –	–
Bankers' acceptances	68,000	9.3%	75,000	13.4%
Balance at end of year	<u>\$ 73,000</u>		<u>\$ 75,000</u>	

The Company's long-term debt has been advanced pursuant to a bank line of credit for operating and acquisition and development loan facilities in the aggregate amount of \$145,000,000.

The long-term debt, which bears interest at the bank's prime lending rate or bankers' acceptance rates plus stamping fees, is secured by an assignment of accounts receivable and by the Company's interest in certain petroleum and natural gas properties. Upon request by the bank, the Company will be obliged to repay the then outstanding debt in 28 equal quarterly installments commencing 27 months after such notice is given. No notice had been given to September 30, 1991.

4. Share Capital:

Authorized:

Common shares: unlimited

Preferred shares: unlimited

Junior preferred shares, redeemable, participating: unlimited

Issued:

	1991		1990	
	Number of Shares	Amount (thousands)	Number of Shares	Amount (thousands)
Common shares:				
Balance at beginning of year	18,333,159	\$ 123,029	18,137,382	\$ 119,938
Issued for cash	66,741	892	95,777	1,320
Issued pursuant to flow through share agreements	164,486	2,247	100,000	1,771
Special warrants converted	2,000,000	35,413	—	—
Balance at end of year	<u>20,564,386</u>	<u>\$ 161,581</u>	<u>18,333,159</u>	<u>\$ 123,029</u>
Special warrants:				
Balance at beginning of year	2,000,000	\$ 35,413	—	\$ —
Issued for cash	—	—	2,000,000	35,413
Converted into common shares	(2,000,000)	(35,413)	—	—
Balance at end of year	<u>nil</u>	<u>\$ nil</u>	<u>2,000,000</u>	<u>\$ 35,413</u>

During the year ended September 30, 1991, 164,486 common shares were issued pursuant to a flow through share agreement. Under the agreement the Company also issued 82,243 warrants. Each warrant entitles the holder to acquire one common share on or prior to June 30, 1992 at \$19.87 per share. At September 30, 1991 none of these warrants had been exercised.

The Company has authorized 928,800 common shares for issuance under its Employee Stock Option Plan. During the year ended September 30, 1991, 29,800 (1990 – 72,440) options were exercised for cash consideration of \$377,340 (1990 – \$900,900). At September 30, 1991, options to purchase 449,560 common shares for a cash consideration of \$11.77 to \$19.34 per share were outstanding. The options are exercisable at various dates to 1996.

At September 30, 1991, 119,104 common shares are reserved for issuance under the Company's Employee Profit Sharing Plan. During the year ended September 30, 1991, 36,941 (1990 – 23,337) common shares were issued under the plan at market prices.

On August 30, 1990, pursuant to an underwriting agreement, the Company issued an aggregate of 2,000,000 Special Warrants at a price of \$18.25 per Special Warrant. Each Special Warrant entitled the holder thereof, without further payment to the Company, to one unit, consisting of one common share and one half of one common share purchase warrant of the Company. A prospectus was completed on November 2, 1990 and the Company issued the units comprised of 2,000,000 common shares and 1,000,000 common share purchase warrants, in exchange for all of the outstanding 2,000,000 Special Warrants. The common share purchase warrants expired without exercise on July 2, 1991. Proceeds of \$35,413,000 (being net of \$1,087,000 of fees and issue expenses), together with interest from August 30, 1990 were used to reduce accounts payable and long-term bank debt. Fees and issue expenses are net of associated income tax benefits.

The exercise of options and warrants to acquire common shares outstanding at year end would not have a dilutive effect on earnings per share.

During the year ended September 30, 1988, a special resolution was passed by shareholders to reduce the stated capital amount for common shares by \$45,000,000 which amount was applied to the deficit.

5. Income Taxes:

The provision for income taxes differs from the result which would have been obtained by applying the combined Federal and Provincial income tax rate to earnings before income taxes. The difference results from the following items:

	1991	1990
	(thousands)	
Earnings before income taxes	\$ 16,118	\$ 22,593
Combined Federal and Provincial income tax rate	44.1%	43.8%
Computed "expected" tax	7,108	9,896
Increase (decrease) in taxes resulting from:		
Royalties and other payments to provincial governments	9,267	7,185
Non-deductible depletion and depreciation	2,435	2,165
Resource allowance	(7,299)	(6,781)
Income tax rebates and credits	(2,097)	(2,184)
Capital gain excluded from taxable income	–	(1,055)
Utilization of capital losses carried forward	–	(195)
Dividend income	–	(53)
Large corporations tax	600	475
Other	133	(69)
Provision for income taxes	<u>\$ 10,147</u>	<u>\$ 9,384</u>

6. Subsequent Event:

On December 1, 1991 the Company entered into an agreement to acquire all of the issued and outstanding shares of Columbia Gas Development of Canada Ltd. The purchase price, approximating \$109.3 million, will be financed by using increased available unused bank credit lines. The transaction:

- (a) will be accounted for by the purchase method;
- (b) involves the acquisition of petroleum and natural gas properties and approximately \$10.5 million of working capital;
- (c) does not involve the assumption of long term debt; and
- (d) is subject to various conditions including the usual regulatory and other approvals and the approval of a U.S. Bankruptcy Court as The Columbia Gas System, Inc. (the parent company of Columbia Gas Development of Canada Ltd.) is currently subject to formal U.S. Bankruptcy proceedings.

NINE YEAR REVIEW

Anderson Exploration, in its present corporate form, results from the amalgamation on October 1, 1982, of six predecessor corporations which evolved from participation in a program of oil and gas exploration, development and acquisition commenced in 1968. As such, the Company has nine full fiscal years of financial and operating history.

Financial (Millions of Dollars Except for Per Share Amounts)

	1991	1990
Revenue		
Oil and gas	\$ 93.8	\$ 82.2
Royalties paid	(22.3)	(17.7)
Other income	0.5	0.7
	<u>72.0</u>	<u>66.3</u>
Expenses		
Operating	18.8	14.5
Petroleum and gas revenue tax	—	—
Depletion and depreciation	23.7	19.8
General and administrative	4.6	3.5
Interest	8.8	11.3
	<u>55.9</u>	<u>49.1</u>
Earnings (loss) before income taxes and unusual items	16.1	17.2
Unusual items		
Write-down of oil and gas properties	—	—
Other items	—	5.4
Earnings (loss) before income taxes	16.1	22.6
Income taxes		
Current	5.0	0.5
Deferred	6.6	10.0
Alberta Royalty Tax Credit	(1.5)	(2.1)
	<u>10.1</u>	<u>9.4</u>
Net earnings (loss)	\$ 6.0	\$ 13.2
Funds flow from operations	\$ 36.3	\$ 38.2
Balance sheet information		
Net capital expenditures	33.0	72.5
Reduction in long-term obligations	7.9	11.4
Long-term debt	73.0	75.0
Working capital (deficiency)	1.9	3.4
Shareholders' equity	191.8	182.5
Common shares outstanding at September 30	20.6	20.3
Per share data		
Net earnings (loss)	\$ 0.29	\$ 0.73
Funds flow from operations	\$ 1.77	\$ 2.03

Operating

Daily production		
Oil – BPD	4346	3,821
NGL – BPD	1082	1,162
	<u>5428</u>	<u>4,983</u>
Natural Gas – MMCFD	76.6	66.6
Reserves		
Proven		
Oil and NGL – MSTB	15,147	16,421
Natural gas – BCF	619	573
Proven plus probable		
Oil and NGL – MSTB	22,281	24,014
Natural gas – BCF	907	872
Wells drilled		
Gross	73	103
Net	54	77

Employees

Calgary	53	52
Field	61	53

1989	1988	1987	1986	1985	1984	1983
\$ 66.3 (16.1) 0.9 <u>51.1</u>	\$ 64.1 (16.1) 0.7 <u>48.7</u>	\$ 60.5 (15.7) 0.6 <u>45.4</u>	\$ 59.6 (17.4) 1.6 <u>43.8</u>	\$ 90.1 (30.5) 0.8 <u>60.4</u>	\$ 59.9 (19.3) 0.7 <u>41.3</u>	\$ 70.3 (22.1) 0.8 <u>49.0</u>
9.5 — 15.1 2.7 10.5 <u>37.8</u> 13.3	9.1 — 14.0 2.4 8.9 <u>34.4</u> 14.3	6.6 — 15.3 2.3 7.8 <u>32.0</u> 13.4	6.8 4.6 15.1 2.2 9.3 <u>38.0</u> 5.8	6.6 9.1 19.9 2.3 11.5 <u>49.4</u> 11.0	5.8 6.3 13.1 1.9 15.1 <u>42.2</u> (0.9)	5.1 6.7 15.1 2.2 28.3 <u>57.4</u> (8.4)
— 3.0 <u>16.3</u>	— — <u>14.3</u>	— — <u>13.4</u>	(41.0) — <u>(35.2)</u>	— (2.3) <u>8.7</u>	— — <u>(0.9)</u>	— 0.9 <u>(7.5)</u>
0.4 7.9 (3.0) <u>5.3</u> \$ 11.0	3.4 6.6 (3.0) <u>7.0</u> \$ 7.3	7.9 2.2 (3.0) <u>7.1</u> \$ 6.3	5.9 3.8 (2.5) <u>7.2</u> \$ (42.4)	3.6 12.6 (2.0) <u>14.2</u> \$ (5.5)	0.3 7.0 (2.5) <u>4.8</u> \$ (5.7)	— 4.4 (4.0) <u>0.4</u> \$ (7.9)
\$ 31.0	\$ 28.0	\$ 23.8	\$ 17.4	\$ 29.4	\$ 14.3	\$ 10.7
32.3 10.0 80.0 0.3 131.0 18.1	24.8 6.2 85.0 3.9 119.7 18.1	14.1 7.2 86.4 (0.1) 110.9 17.8	12.6 3.7 89.9 (2.9) 105.5 17.8	18.4 18.1 92.9 (3.9) 144.2 17.8	12.6 79.6 112.8 3.3 149.7 17.8	8.5 60.5 201.3 (27.6) 46.0 9.8
\$ 0.61 \$ 1.71	\$ 0.41 \$ 1.58	\$ 0.35 \$ 1.33	\$ (2.38) \$ 0.98	\$ (0.31) \$ 1.65	\$ (0.33) \$ 0.84	\$ (0.81) \$ 1.23
1,636 <u>1,155</u> 2,791 71.3	1,464 <u>1,242</u> 2,706 69.0	1,034 <u>545</u> 1,579 62.2	898 <u>296</u> 1,194 51.8	966 <u>438</u> 1,404 68.4	865 <u>225</u> 1,090 42.3	664 <u>294</u> 958 54.5
15,298 556	14,778 543	15,430 512	10,760 432	5,950 438	5,340 452	5,149 447
23,841 810	20,997 765	21,465 721	17,090 621	16,160 638	8,090 642	7,691 633
77 49	74 42	39 18	49 22	54 28	58 26	54 25
42 44	40 39	38 39	39 30	40 26	37 24	22 20

CORPORATE INFORMATION

Corporate Officers

J.C. Anderson
Chairman, President & Chief
Executive Officer

Philip C. Evans
Vice President, Land

Ken C. McCagherty
Vice President, Exploitation

Kim E. O'Donnell
Vice President, Exploration

David G. Scobie
Vice President, Finance &
Administration
Secretary-Treasurer

Arthur H. Williamson
Vice President, Operations

Gerald S. Read
Controller

Board of Directors

J.C. Anderson (1968*)
Chairman, President & Chief
Executive Officer
Anderson Exploration Ltd.
Calgary, Alberta

Ian D. Bayer+ (1984)
President & Chief Executive
Officer
Hemlo Gold Mines Inc.
Toronto, Ontario

W. Gordon Brown♦ (1982*)
Partner
Bennett Jones Verchere
Calgary, Alberta

Peter A. Cherniavsky♦ (1976*)
Chairman
BC Sugar Refinery, Limited
Vancouver, B.C.

James W. Hudson+ (1990)
Vice President, Finance
BC Sugar Refinery, Limited
Vancouver, B.C.

Philip S. Cross♦ (1984)
Consultant
Kerr Addison Mines Limited
Toronto, Ontario

J. Richard Harris+ (1988)
Consultant
Calgary, Alberta

(Fiscal year elected as Director)

* Director of Predecessor Corporation

+ Member of Audit Committee

♦ Member of Compensation Committee

Managers

George S. Addison
District Superintendent

Brian H. Dau
Manager, Corporate Planning

Craig A. Hayes
Manager, Land

David E. Mitchell
Manager, Marketing

Jerry D. Pennock
Manager, Production

Mickey J. Sutherland
Manager, Drilling

Head Office

2300 Western Canadian Place
700 Ninth Avenue S.W.
Calgary, Alberta
T2P 3V4
Telephone (403) 264-9800
Fax (403) 263-3274

Field Offices

Eaglesham, Alberta
Fairview, Alberta
Medicine Hat, Alberta

Auditors

Peat Marwick Thorne
Calgary, Alberta

Bankers

Royal Bank of Canada
Calgary, Alberta

Solicitors

Bennett Jones Verchere
Calgary, Alberta

Independent Engineers

Coles Gilbert Associates Ltd.
Calgary, Alberta

Registrar & Transfer Agent

The Montreal Trust Company
Calgary, Halifax, Regina,
Toronto, Vancouver, Winnipeg

Stock Exchange

The Toronto Stock Exchange
Symbol: AXL

Annual Information Form

Copies of the Company's
Annual Information Form are
available on request.

**Conversion & Other
Information***Volume Reporting*

All production and reserve
statistics are Anderson
Exploration's working interest
amounts before deduction of
royalties, unless stated other-
wise. Where volumes are
reported in barrels of oil
equivalent, gas is converted to
oil at 10 thousand cubic feet
(10 mcf) per barrel.

Financial Reporting

All amounts are in Canadian
dollars, unless stated otherwise.
The Company's fiscal year end
is September 30.

Metric Conversion

The petroleum industry in
Canada has officially converted
to the International System of
Units for measuring and
reporting. The following table
notes conversion factors
relevant to this report.

To Convert From	To	Divide By
Thousand cubic feet (mcf) gas	Thousand cubic metres (10 ³ m ³)	35.4937
Barrels (bbls) oil	Cubic metres (m ³)	6.2898
Feet (well depths)	Metres (m)	3.2808
Miles (distance)	Kilometres (km)	0.6214
Acres (land)	Hectares (ha)	2.5000

Anderson Exploration Ltd.

2300 Western Canadian Place

700 Ninth Avenue S.W.

Calgary, Alberta T2P 3V4

ANDERSON EXPLORATION LTD.

**NOTICE OF
AND INFORMATION CIRCULAR FOR
ANNUAL GENERAL MEETING
OF SHAREHOLDERS OF
ANDERSON EXPLORATION LTD.**

December 31, 1991

THIS NOTICE AND INFORMATION CIRCULAR IS BEING SENT TO THE SHAREHOLDERS OF ANDERSON EXPLORATION LTD. IN CONNECTION WITH THE ANNUAL GENERAL MEETING OF ALL SHAREHOLDERS TO BE HELD ON THURSDAY, FEBRUARY 13, 1992, AT THE WESTIN HOTEL, 320 - 4TH AVENUE S.W., CALGARY, ALBERTA, COMMENCING AT 3:00 P.M. (CALGARY TIME).

ANDERSON EXPLORATION LTD.

Notice of Annual General Meeting

February 13, 1992

TAKE NOTICE that the Annual General Meeting (the "Meeting") of the shareholders of Anderson Exploration Ltd. (the "Corporation") will be held at the Westin Hotel, 320 - 4th Avenue S.W., Calgary, Alberta, on Thursday, the 13th day of February, 1992 at the hour of 3:00 o'clock in the afternoon (Calgary time) for the following purposes:

1. to receive and consider the annual report and the financial statements for the year ended September 30, 1991 and the report of the auditors thereon;
2. to elect directors for the ensuing year;
3. to appoint auditors for the ensuing year and authorize the directors to fix their remuneration; and
4. to transact such other business as may properly come before the meeting or any adjournments thereof.

Particulars of the matters referred to above are set forth in the accompanying Information Circular.

Shareholders who are unable to attend the Meeting are requested to date, sign and return the enclosed form of proxy in the enclosed pre-addressed and postage-paid envelope to be received by the Corporation's transfer agent not less than 24 hours prior to the time of the Meeting or any adjournment thereof or deposit it with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof.

DATED at Calgary, Alberta, the 31st day of December, 1991.

By Order of the Board of Directors

(signed) D. G. SCOBIE
Secretary

ANDERSON EXPLORATION LTD.

Information Circular for the Annual General Meeting of Shareholders to be held on February 13, 1992

SOLICITATION OF PROXIES BY MANAGEMENT

This Information Circular is furnished in connection with the solicitation of proxies by or on behalf of the management of Anderson Exploration Ltd. (the "Corporation") for use at the Annual General Meeting (the "Meeting") of the shareholders of the Corporation. The information contained herein is current as of December 31, 1991 unless otherwise indicated. The Meeting will be held at the Westin Hotel, 320 - 4th Avenue S.W., Calgary, Alberta, on February 13, 1992 at 3:00 p.m. (Calgary time) for the purposes set forth in the accompanying Notice of Annual General Meeting (the "Notice"). It is expected that the solicitation of proxies will be primarily by mail. The cost of solicitation on behalf of management will be borne by the Corporation.

APPOINTMENT OF PROXIES

The persons named in the enclosed form of proxy are directors and/or officers of the Corporation. A shareholder has the right to appoint a person, who need not be a shareholder, as his nominee to attend and act for him and on his behalf at the Meeting, other than the persons designated in the enclosed form of proxy. A shareholder desiring to appoint some other person as a representative at the Meeting may do so either by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, delivering the completed form of proxy to the Corporation's transfer agent, Montreal Trust Company of Canada, 411 - 8th Avenue S.W., Calgary, Alberta, T2P 1E7, in the enclosed pre-addressed and postage-paid envelope not less than 24 hours prior to the time of the Meeting or any adjournment thereof or depositing it with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof.

REVOCABILITY OF PROXIES

A shareholder may revoke a proxy:

- (a) by depositing an instrument in writing executed by him or by his attorney authorized in writing:
 - (i) at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof,
 - (ii) with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof; or
- (b) in any other manner permitted by law.

EXERCISE OF DISCRETION WITH RESPECT TO PROXIES

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. **In the absence of such direction, such shares will be voted FOR the matters referred to in the Notice.**

The enclosed form of proxy confers a discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice and with respect to other matters which may properly come before the Meeting.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

On December 31, 1991 there were 20,578,865 Common Shares of the Corporation issued and outstanding. Each Common Share carries the right to one vote.

A person shown as a shareholder of record on December 30, 1991, being the record date fixed for the meeting, shall be entitled to vote the Common Shares of the Corporation registered in his name on that date at the Meeting except to the extent that the person has transferred the ownership of any of his shares after December 30, 1991 and the transferee of those shares produces properly endorsed share certificates or otherwise establishes that he owns such shares and demands, not later than 10 days before the Meeting, that his name be included in the list of shareholders entitled to receive notice of the Meeting, in which event the transferee shall be entitled to vote such shares at the Meeting.

To the knowledge of the directors and officers of the Corporation, the only persons which own of record or beneficially, directly or indirectly, or exercise control or direction over Common Shares of the Corporation carrying more than 10 percent of the voting rights attached to all shares of the Corporation as at December 30, 1991 are as set forth below. In each case ownership is direct and beneficial:

Name	Number of Common Shares held at December 31, 1991	% of Total Common Shares outstanding at December 31, 1991
BC Sugar Refinery, Limited (1) (2)	3,684,848	17.9%
Kerr Addison Mines Limited (2)	6,202,281	30.1%
J. C. Anderson (1)	3,711,605	18.0%

- (1) J. C. Anderson is a director of BC Sugar Refinery, Limited ("BC Sugar").
- (2) Each of BC Sugar and Kerr Addison Mines Limited ("Kerr Addison") are publicly traded companies listed on The Toronto Stock Exchange. To the knowledge of the Corporation, the only person which owns of record or beneficially, directly or indirectly, or exercises control or direction over shares of either BC Sugar or Kerr Addison carrying more than 10% of the voting rights attached to all shares of such corporations as at December 31, 1991 is Noranda Inc. and the Ontario Municipal Employees Retirement Board which own, respectively, 48.4% and 16.0% of the voting shares of Kerr Addison.

ELECTION OF DIRECTORS

Management of the Corporation proposes to nominate and the persons named in the accompanying form of proxy intend to vote in favour of the election, as directors, of the persons named below. All of the nominees are now directors and have been for the periods indicated. Each director elected will hold office until the next annual meeting or until his successor is duly elected, unless his office is earlier vacated in accordance with the By-laws of the Corporation.

Information concerning the nominee directors is given below. The statement as to voting shares of the Corporation held directly or indirectly by the nominees is based upon the information furnished to the Corporation by the nominees and is given as at December 31, 1991:

Name and Municipality of Residence	Number of Common Shares Beneficially Owned	Position Held and Time as a Director	Principal Occupation
J. C. Anderson Calgary, Alberta	3,711,605	Chairman, President, Chief Executive Officer and Director since October 1, 1982	President of the Corporation
Ian D. Bayer (1) Toronto, Ontario	—	Director since November 2, 1983	President and Chief Executive Officer of Hemlo Gold Mines Inc.
W. Gordon Brown (2) Calgary, Alberta	2,000	Director since October 1, 1982	Partner, Bennett Jones Verchere (Barristers and Solicitors)

<u>Name and Municipality of Residence</u>	<u>Number of Common Shares Beneficially Owned</u>	<u>Position Held and Time as a Director</u>	<u>Principal Occupation</u>
Peter A. Cherniavsky (2) Vancouver, British Columbia	25,464	Director since October 1, 1982	Chairman of BC Sugar Refinery, Limited
James W. Hudson (1) Vancouver, British Columbia	1,000	Director since February 22, 1990	Vice President, Finance of BC Sugar Refinery, Limited
Philip S. Cross (2) Toronto, Ontario	500	Director since November 2, 1983	Consultant to Kerr Addison Mines Limited
J. Richard Harris (1) Calgary, Alberta	500	Director since May 9, 1988	Oil and Gas Consultant

(1) Member of Audit Committee.

(2) Member of Compensation Committee.

STATEMENT OF EXECUTIVE COMPENSATION

Cash

The Corporation had seven executive officers during the year ended September 30, 1991. The aggregate cash compensation paid to the Corporation's executive officers, including salaries, fees, commissions and bonuses, during the year ended September 30, 1991 was \$1,131,253.

Plans

Employee Profit Sharing Plan

An Employee Profit Sharing Plan (the "EPSP") was established in 1988 to provide employees the opportunity of sharing in the profits of the Corporation and participating in the future growth of the Corporation through the purchase of Common Shares of the Corporation. Under the EPSP any qualifying employee may contribute up to specified percentages ranging from 4 percent to 8 percent of basic earnings. The specified percentages increase with length of service. Employee contributions may be invested in qualified money market instruments or Common Shares of the Corporation. Pursuant to the EPSP, the Corporation makes contributions on the employee's behalf in an amount equal to the employee contributions. The Corporation contributions are paid out of profits and are invested in Common Shares of the Corporation purchased in the open market or from treasury. The Corporation has authorized 125,773 Common Shares in respect of treasury purchases under the EPSP, which purchases will be made at market value. All employees of the Corporation are eligible to participate in the EPSP upon completion of one year of service.

The Corporation contributed \$68,590 during the year ended September 30, 1991 to the EPSP on behalf of the executive officers resulting in 4,980 Common Shares being purchased by executive officers.

Employee's Stock Option Plan

An Employee's Stock Option Plan (the "ESOP") was established in 1988. Under the ESOP 928,000 Common Shares of the Corporation are authorized for issuance. The directors of the Corporation are authorized to grant employee options under the ESOP from time to time and to fix the terms thereof at the time of grant. The price at which the option shares are exercisable will be equal to the market price on the date of grant. As of December 31, 1991 there were issued and outstanding under the ESOP options to purchase 440,400 Common Shares for a consideration ranging from \$11.77 to \$19.34 per Common Share. Seven executive officers, as a group, as at December 31, 1991, held options to purchase 198,160 Common Shares and all other employees, as a group, held options to purchase the remaining 242,240 shares. The options are valid for a five year period, 317,817 are exercisable at any time and 122,583 vest at various dates in the future. The exercise price is payable in full upon the exercise of the options.

For the year ended September 30, 1991, 2,000 options granted under the ESOP were exercised by executive officers and Common Shares issued at an average aggregate net value (market value less the exercise price at the date of exercise) of \$3.50 per share.

The following table sets forth the outstanding options to purchase common shares of the Company held by executive officers as at December 31, 1991.

<u>Group</u>	<u>Number of Common Shares</u>	<u>Date of Grant</u>	<u>Exercise Price</u>	<u>Expiry Date</u>	<u>Trading Price at Date of Grant</u>
Directors (7)	nil	—	—	—	—
Executive Officers (7)	128,160	May 12, 1988	\$12.75	July 12, 1993	n/a (1)
	5,000	November 15, 1989	\$18.37	November 15, 1994	\$19.75
	65,000	March 25, 1991	\$14.63	March 21, 1996	\$14.63
Total	<u>198,160</u>				

(1) The shares of the Corporation were not listed at the time.

Other Remuneration

The aggregate value of compensation other than that referred to above paid to executive officers for the year ended September 30, 1991 does not exceed ten percent of the total cash compensation paid to the executive officers during the year. A senior executive officer of the Corporation has entered into an employment contract dated June 1, 1991 pursuant to which such executive officer will receive a payment equal to three year's compensation in the event of the early termination of such executive officer's employment in certain events, including upon a change of control of the Corporation.

Directors

The directors of the Corporation receive an annual fee of \$9,000 as compensation for their services. Any director who is also an employee of the Corporation is not entitled to receive any of the aforementioned fees.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote **FOR** the reappointment of Peat Marwick Thorne as auditors of the Corporation, to hold office until the next annual meeting of the shareholders at a remuneration to be approved by the directors. Peat Marwick Thorne have been auditors of the Corporation since it was formed by amalgamation in 1982.

OTHER MATTERS

Management of the Corporation knows of no amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice.

CERTIFICATE

DATED the 31st day of December, 1991.

The contents and the sending of this Information Circular have been approved by the directors of the Corporation.

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

(Signed) J. C. Anderson
Chief Executive Officer

(Signed) D. G. Scobie
Chief Financial Officer

For the year ended September 30, 1991, 2,000 shares of common stock were issued at an average price of \$1.00 per share.

The following table shows the distribution of the common stock of the Company for the year ended September 30, 1991.

Category	Number of Shares	Percentage of Total
Common Stock	2,000	100%
Preferred Stock	0	0%
Warrants	0	0%
Options	0	0%
Other	0	0%
Total	2,000	100%

The Company's common stock is listed on the New York Stock Exchange under the symbol "XXXX". The Company's common stock is a Class A common stock, which is entitled to one vote per share.

The Company's preferred stock is not listed on the New York Stock Exchange. The Company's preferred stock is a Class B common stock, which is entitled to one vote per share.

The Company's warrants are not listed on the New York Stock Exchange. The Company's warrants are a Class C common stock, which is entitled to one vote per share.

The Company's options are not listed on the New York Stock Exchange. The Company's options are a Class D common stock, which is entitled to one vote per share.

The Company's other securities are not listed on the New York Stock Exchange. The Company's other securities are a Class E common stock, which is entitled to one vote per share.

The Company's common stock is listed on the New York Stock Exchange under the symbol "XXXX". The Company's common stock is a Class A common stock, which is entitled to one vote per share.

The Company's preferred stock is not listed on the New York Stock Exchange. The Company's preferred stock is a Class B common stock, which is entitled to one vote per share.

The Company's warrants are not listed on the New York Stock Exchange. The Company's warrants are a Class C common stock, which is entitled to one vote per share.

The Company's options are not listed on the New York Stock Exchange. The Company's options are a Class D common stock, which is entitled to one vote per share.

The Company's other securities are not listed on the New York Stock Exchange. The Company's other securities are a Class E common stock, which is entitled to one vote per share.

The Company's common stock is listed on the New York Stock Exchange under the symbol "XXXX". The Company's common stock is a Class A common stock, which is entitled to one vote per share.

The Company's preferred stock is not listed on the New York Stock Exchange. The Company's preferred stock is a Class B common stock, which is entitled to one vote per share.

The Company's warrants are not listed on the New York Stock Exchange. The Company's warrants are a Class C common stock, which is entitled to one vote per share.

The Company's options are not listed on the New York Stock Exchange. The Company's options are a Class D common stock, which is entitled to one vote per share.

The Company's other securities are not listed on the New York Stock Exchange. The Company's other securities are a Class E common stock, which is entitled to one vote per share.